



FmHA AN No 3155 (1910-A)
April 28, 1995

TO: Acting State Directors, District Directors,
and County Supervisors,
Rural Economic and Community Development

ATTN: Farmer Programs Chief

FROM: Lou Anne Kling *SAK 4-28-95*
Acting Deputy Administrator for
Farm Credit Programs
Consolidated Farm Service Agency

SUBJECT: Clarification of Family Farm Definition

PURPOSE/INTENDED OUTCOME:

This AN is being issued to provide guidance and clarification on the family farm definition under FmHA Instruction 1941-A, section 1941.4. The intended outcome is to ensure that all farm operations receive due consideration under the family farm definition. This AN is applicable to the family farm definition in the direct and guaranteed programs, including the Emergency Loan program.

IMPLEMENTATION RESPONSIBILITIES:

The definition of a family farm in FmHA Instructions is general, by necessity, in recognition of the diversity of agriculture across the country. Because of this diversity, it is important to consider the definition of a family farm on an individual, case-by-case basis.

With regard to the items noted in the regulatory definition, the following factors should be weighed both together and separately as you make the family farm determination:

1. Consider how the applicant's farm operation compares to others of like type in the community. You cannot reasonably compare the labor requirements, for example, of a livestock operation with that of a fruit grower.
2. Management and control of the farm business. Most of the day-to-day management and operational decisions should be made by members of the farm family. The use of consultants, advisors, and similar experts is certainly acceptable provided someone in the farm family is the final decision-maker.

EXPIRATION DATE: April 30, 1996

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1910-A



3. Amount of labor. A substantial amount of the labor must be contributed by family or entity members to the operation but it cannot be quantified as an absolute percentage, for example, greater than 50 percent. The borrower may not necessarily perform a majority of the labor, but the amount of labor provided by the borrower is significant. Labor is not just "doing chores," driving a tractor, or feeding stock. Keeping farm records, and conducting marketing and purchasing activities are part of the labor contribution. Also take into consideration the labor requirements necessary for the production of specific crops common to the area or related cultural practices. Hired labor certainly becomes a factor at some level, but until the labor requirement is such that most of the day-to-day management and operational decisions are made by someone other than the farm family, labor should be treated as another resource that may be purchased.

4. Credit needs. Congress established the Agency's loan limits to assist family-sized operations. The loan limits generally ensure that loans are made to family farm operations. This is not to say that loan participation arrangements are unacceptable when CFSA farm loans cannot meet the total needs, but if the maximum CFSA farm loans are a small portion of the total credit requirements, this may be another indicator of a larger than family-size farm.

Analyze all the components which make up the regulatory definition of "family farm" and the items discussed above. Look at all aspects and the circumstances the farm is operating under. It is important to understand that there is no "magic formula" that gives a definitive answer to the family farm question. All of these factors and how they relate to one another must be considered and analyzed. The fact that a farm applicant has one or more indicators of larger than family-size does not automatically disqualify an applicant. For example, a typical size operation in the community may substitute labor for expensive specialized machinery and thus require more labor than usual. A handicapped farmer may be unable to physically do much of the farm work, but qualifies by keeping the books and making all of the decisions regarding planting, harvesting, marketing, and capital purchases. Application of judgment, combined with documentation of all the factors for the decision, should provide reasonable determinations of applicant qualifications as a family farm.

County Supervisors should discuss this AN with their State Farmer Programs staff if they have questions. State office staffs may contact the Farm Credit Programs Loan Making Division at (202) 720-1632.